

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-05 H-01 INR-07
L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15
USIA-06 AID-05 EB-08 TRSE-00 STR-05 OMB-01 CEA-01
COME-00 FRB-03 XMB-02 OPIC-03 LAB-04 SIL-01 FEA-01
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-----066547 061926Z /53

R 061229Z DEC 77
FM AMEMBASSY CAIRO
TO SECSTATE WASHDC 2465

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E. O. 11652: N/A
TAGS: EGEN
SUBJ: ECONOMIC CONTENT OF PRIME MINISTER'S POLICY STATE-
- MENT

REF: CAIRO 20221

1. CONSIDERABLE PORTION OF PRIME MINISTER SALIM'S
POLICY STATEMENT TO PEOPLE'S ASSEMBLY DECEMBER 4 (SEE
ALSO REFTTEL) WAS DEVOTED TO ECONOMIC QUESTIONS. PRIME
MINISTER'S PRESENTATION, WHILE LENGTHY, WAS NOTEWORTHY
PRIMARILY FOR ACKNOWLEDGMENT OF VARIOUS SIGNIFICANT
PROBLEMS IN ECONOMY (ACCOMPANIED BY GOE'S GENERAL
PRESCRIPTIONS FOR SOLUTION) AND CERTAIN STATISTICAL
DATA OF INTEREST SCATTERED THROUGH STATEMENT. SALIM
ACKNOWLEDGED PAST DECLINE IN EGYPT'S STANDARD OF LIVING,
WEAKNESS IN SAVINGS AND INVESTMENT SPHERES, AND DROP IN
REVENUES, PRODUCTION AND GROWTH RATE. HE ATTRIBUTED
THESE WOES AT LEAST IN PART TO INSTABILITY OF WORLD
CURRENCIES (PRESUMABLY MEANING HIGH WORLDWIDE INFLATION
RATES) AND GREAT EXPENSES BORNE BY EGYPT FOR DEFENSE
PURPOSES. HE ALSO REFERRED TO ACCUMULATION OF ARREARS
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IN SHORT-TERM DEBT REPAYMENT AS BOTTLENECK IN NATIONAL
ECONOMY.

2. AFTER LONG RECOUNTAL OF "TRENDS" IN GOE'S PLANS FOR
POLITICAL AND ECONOMIC DEVELOPMENT, HE NOTED WITH
SPECIFIC REFERENCE TO ECONOMIC POLICY THAT GOVERNMENT
INTENDS TO CUT GENERAL BUDGET TO MINIMUM AND TO ADDRESS

BALANCE OF PAYMENTS DIFFICULTIES. PM, IN STRIKING NON SEQUITUR, NEXT STATED THAT 1978 BUDGET WILL AMOUNT TO LE 10,834 MILLION, WHICH HE SAID IS INCREASE OF LE 1,846 MILLION OVER 1977. THIS LARGEST BUDGET IN EGYPTIAN HISTORY, ACCORDING PM, GUARANTEES NECESSARY ALLOCATIONS TO ARMED FORCES, NATIONAL SECURITY, NECESSARY SUBSIDIES FOR PUBLIC COMMODITIES AND SERVICES, APPOINTMENT OF GRADUATES AND NEW PUBLIC SECTOR SALARY INCREASES. INVESTMENTS WILL TOTAL 680 MILLION IN 1978, HE SAID.

3. OTHER DATA OF INTEREST ANNOUNCED BY PRIME MINISTER WERE LE 1,465 MILLION IN VALUE OF INDUSTRIAL PRODUCTION FIRST NINE MONTHS OF 1977, 16 PERCENT INCREASE OVER SAME PERIOD OF PREVIOUS YEAR; LE 210 MILLION IN EXPECTED FOREIGN EXCHANGE EARNINGS FROM OIL IN 1977, INCREASING FROM LE 130 MILLION IN 1976 AND RISING TO AN EXPECTED LE 450 MILLION BY 1980; AND 1.7 MILLION TOURISTS BY 1980 BRINGING IN LE 350 MILLION (NO CURRENT FIGURES WERE CITED).

4. COMMENT: PERHAPS MOST USEFUL ITEM IN PM'S SPEECH IN SPECIFIC TERMS WAS HIS STATEMENT ON SIZE OF BUDGET FOR 1978. LARGE TOTAL INDICATES THAT GOE MAY BE USING PARALLEL RATE THIS YEAR TO CALCULATE CERTAIN OF BUDGET ITEMS, THUS FORMULATING DOCUMENT WHICH WILL NOT NECESSARILY LIMITED OFFICIAL USE

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REPRESENT SIGNIFICANTLY LARGE RISE IN ALLOCATION OF REAL RESOURCES IN COMPARISON WITH CURRENT 1977 BUDGET. AS NOTED CAIRO 20173, WE HOPE TO DEVELOP FURTHER INFORMATION ON THIS POINT IN NEAR FUTURE. EILTS

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: PRIME MINISTER, ECONOMIC PROGRAMS
Control Number: n/a
Copy: SINGLE
Sent Date: 06-Dec-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977CAIRO20322
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770452-0869
Format: TEL
From: CAIRO
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19771290/aaaacxsr.tel
Line Count: 98
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 46f1bb0b-c288-dd11-92da-001cc4696bcc
Office: ACTION NEA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 77 CAIRO 20221
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 13-Apr-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 351734
Secure: OPEN
Status: NATIVE
Subject: ECONOMIC CONTENT OF PRIME MINISTER'S POLICY STATE- - MENT
TAGS: EGEN
To: STATE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/46f1bb0b-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009